

Registered Number 707927

NOVUS UK (KAKAP) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

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COMPANIES HOUSE

NOVUS UK (KAKAP) LIMITED
REGISTERED NUMBER 707927

BOARD OF DIRECTORS

Rudy Suparman
Hendra Soetjipto Tan
James Patrick Johnston Fairrie
Spencer Saffer

SECRETARY AND REGISTERED OFFICE

TMF Corporate Secretarial Services Limited
5th Floor, 6 St Andrew Street,
London EC4A 3AE
United Kingdom

STATUTORY AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED IN ENGLAND NO: 707927

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

STRATEGIC REPORT

The Directors of Novus UK (Kakap) Limited present the Strategic Report, their report and financial statements for the year ended 31 December 2013.

Principal Activities

The principal activities of the Company remain unchanged and continue to comprise the exploration for and production of hydrocarbons in areas of Indonesia granted by the Kakap Production Sharing Contract ("Kakap PSC"). The Company owns a 13.5% working interest in the Kakap PSC.

Business Review and Future Developments

The Company operates predominantly in one business, namely the exploration, development, production, transportation and marketing of hydrocarbons. Revenue is derived from the sale of gas and liquid hydrocarbons.

The Company operates in one geographical segment being Indonesia.

Oil and condensate gross production by the Kakap PSC, in the West Natuna Sea, Indonesia averaged 3,661 boepd in 2013 (3,498 boepd in 2012). Gas gross production averaged 4,708 boepd in 2013 (4,609 boepd in 2012).

Turnover in 2013 increased primarily due to increase in oil and gas production in 2013 compared to production per year 2012. The average oil price in 2013 was US\$107.71/bbl (2012: US\$113.43/bbl) and the average gas price in 2013 was US\$20.03/mscf (2012: US\$20.59/mscf).

The results for the years ended 31 December 2013 and 31 December 2012 are summarized below:

	2013 <u>US\$'000</u>	2012 <u>US\$'000</u>	Change %
Turnover	29,569	29,323	+0.80%
Profit on ordinary activities before taxation	16,408	14,781	+11%
Tax on profit on ordinary activities	(6,741)	(7,630)	-12
Profit for the year	9,667	7,151	+35

The Company's profit for the year after taxation was US\$9,667,000 in 2013 (2012: US\$7,151,000). On 14 December 2012, the Company declared and distributed a non cash dividend amounting to US\$21,415,000. The management has proposed US\$ 12,000,000 non-cash dividend subject to approval of board of directors. The next board of directors meeting will be held in October 2014 to approve the amount of non-cash dividend.

As a follow up to the deteriorations found in the hull envelope of the previous KN Floating Production Storage and Offloading ("KN FPSO") vessel, various efforts were initiated and carried out by the Contractors in order to remedy the situation, including implementing a medium-term solution by replacing the KN FPSO with a new FPSO namely East Fortune FSO ("EF FSO") under the contract signed in October 2009 with PT Pulau Kencana Raya ("PKR") as an agent on behalf of Songa Production Pte. Ltd. The contract with PKR was valid for a term of nine months up to September 2010 with a total contract value of US\$14,115,000.

On 5 October 2010, the Contractors extended the lease contract of the EF FSO up to 31 December 2010. On 1 December 2010, the lease contract was extended up to 31 January 2011. On 12 January 2011, the lease contract of EF FSO rental service was extended for a twelve months period starting 1 February 2011. However, since 9 March 2011, the EF FSO had been demobilized from Kakap field and was replaced with the new vessel MT. Barunawati. Originally, the vessel that was supposed to replace EF FSO was MT. Badraini, which was under modification until July 2011.

NOVUS UK (KAKAP) LIMITED
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STRATEGIC REPORT (CONTINUED)

Business Review and Future Developments (continued)

Based on its letter No. 0622/BPA4000/2010/S1 dated 9 June 2010, SKK Migas requested the Contractors to re-utilize KN FPSO for the next five to ten years, and the related Authorization For Expenditures (AFE) for the reutilization of the KN FPSO, which covered the dry-docking project and the operation cost for KN FPSO for the seven years had been approved by SKK Migas in its letter dated 4 April 2011 amounting to US\$66,937,000.

In July 2011, the Operator used MT. Badraini in its first oil lifting for 2011 since the vessel was now ready for use.

The dry docking of KN FPSO was completed on 31 July 2012. After completing the dry docking process, Kakap Natuna changed the name to become Kakap Natuna Floating Storage and Offloading ("KN FSO") vessel and on 22 August 2012, KN FSO began its normal operation in the Kakap Natuna Block.

Key Performance Indicators

The Company's ultimate parent entity Star Energy Oil & Gas Pte. Ltd., is the parent entity in the consolidated Star Energy Group. The Company holds a 13.50% non-operator interest in the Kakap Production Sharing Contract. The Star Energy Group has strategic targets for its base business including production targets and safety performance levels. The Company contributed to the attainment of these overall Star Energy Group strategic targets. As the Company is not the operator, management meets regularly with the operator through operating and technical forums to monitor the progress of the PSC against its strategic targets.

Principal risks and uncertainties

The principal risks that the Company faces are:

Exploration and development risk

There is no assurance that the Company's exploration activities will be successful and statistically few properties that are explored are ultimately developed into producing hydrocarbon fields. Accordingly, the Company provides a risk analysis and range of outcomes to the Board of Directors for consideration prior to any prospect being drilled.

The Company's operations may also be curtailed, delayed or cancelled not only as a result of the weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply. As the Company only owns a non-operated asset, risk is mitigated to some extent by being in a joint venture with a number of other companies, which have access to rigs and equipment.

NOVUS UK (KAKAP) LIMITED
REGISTERED NUMBER 707927
STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Competition

There is strong competition within the petroleum industry for the identification and acquisition of properties considered to have hydrocarbon potential. The Company competes with other exploration and production companies, some of which have greater financial resources than the Company, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. The challenge to management is to secure transactions without having to over pay.

Commodity prices, fiscal regimes and currency

The market price of hydrocarbon products is volatile and cannot be controlled. If the price of hydrocarbon products should drop significantly, or the fiscal regime change for the worse, the economic prospects of the projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Currently the Company has an indexed gas contract to supply gas until 2023 which will minimise the commodity price risk.

Exposure to foreign currency and commodity price risks arises in the normal course of the Company's business.

Financing

The development of the Company's properties will depend upon the Company's ability to obtain financing through the joint venture of projects, debt financing through Star Energy Oil and Gas Pte Ltd or its subsidiaries, farm downs or by other means. There is no assurance that the Company will be successful in obtaining the required financing or attracting farminees. If the Company is unable to obtain additional financing as needed through the attraction of suitable farm-in partners, some interests may be relinquished and/or the scope of the operations reduced.

Credit risk

Credit risk arises from cash on hand and in banks, deposits with banks and financial institutions, as well as credit exposures from trade receivables. The Company is subject to concentration of credit risk as its entire sales are to two counterparties. Oil and gas sales are solely to BP Singapore Pte Ltd and SembCorp Gas Pte Ltd, respectively.

By order of the Board



Rudy Suparman
Director



Hendra Soetjipto Tan
Director

26 September 2014

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

DIRECTORS' REPORT

The Directors present their directors' report for the year ended 31 December 2013.

Directors

The directors who served during the year and up to the date of the financial statements, unless otherwise noted, were:

Rudy Suparman
Hendra Soetjipto Tan
James Patrick Johnston Fairrie
Spencer Saffer

Business Review and Future Developments

The business review and future developments of the Company are discussed in the Strategic Report.

Going Concern

After reviewing the Company's budget and plans, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

Directors' indemnity

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and of the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Dividends

The Company has not declared any dividends during the year (2012: US\$21,415,000). The management has proposed US\$ 12,000,000 non-cash dividend subject to approval of board of directors. The next board of directors meeting will be held in October 2014 to approve the amount of non-cash dividend.

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

DIRECTORS' REPORT (CONTINUED)

Events since the Balance Sheet Date

With respect to Provision for Branch Profit Tax disclosed in note 20, the Company received two assessment letters in August 2014 from the Tax Office related to the underpayment of Corporate Tax and BPT (including its penalty) for fiscal year 2009 amounting to US\$ 24,306 and US\$1,205,726, respectively. The Company made the payment on 20 August 2014 and management is planning to send an objection letter to the tax office in October 2014.

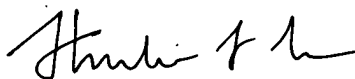
Re-appointment of auditor

Pursuant to the Board of Directors' Resolution dated 26 July 2013, Ernst & Young LLP has been reappointed as the auditor of the Company for the ensuing year.

By order of the Board



Rudy Suparman
Director



Hendra Soetjipto Tan
Director

26 September 2014

NOVUS UK (KAKAP) LIMITED

REGISTERED NUMBER 707927

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVUS UK (KAKAP) LIMITED

We have audited the financial statements of Novus UK (Kakap) Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVUS UK (KAKAP) LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Jacqueline Ann Geary (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

30 September 2014

NOVUS UK (KAKAP) LIMITED**(Registered Number 707927)****Profit and Loss Account****For the Year Ended 31 December 2013**

	Notes	2013 US\$000	2012 US\$000
Turnover	3	29,569	29,323
Cost of sales	4	(13,584)	(14,449)
Gross profit		15,985	14,874
Other operating income		593	100
Operating profit		16,578	14,974
Finance costs	5	(170)	(193)
Profit on ordinary activities before taxation		16,408	14,781
Tax on profit on ordinary activities	9	(6,741)	(7,630)
Profit for the year	17	9,667	7,151

All items included in the profit and loss account derive from activities of a continuing nature.

The notes on pages 13 to 35 are an integral part of these financial statements.

NOVUS UK (KAKAP) LIMITED

(Registered Number 707927)

Statement of Total Recognised Gains and Losses

For the Year Ended 31 December 2013

	2013	2012
	US\$000	US\$000
Profit for the year	9,667	7,151
Actuarial losses	(150)	-
Total recognised gains for the year	9,517	7,151


The notes on pages 13 to 35 are an integral part of these financial statements.

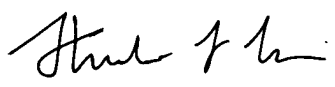
NOVUS UK (KAKAP) LIMITED
(Registered Number 707927)

Balance Sheet
At 31 December 2013

	Notes	2013 US\$000	2012 US\$000
Fixed Assets			
Tangible assets	10	19,225	20,644
Intangible assets		17	25
Total Fixed Assets		19,242	20,669
Current Assets			
Cash in bank		-	2,675
Restricted cash in bank		115	-
Debtors:			
Amounts falling due after one year	2,11	46,151	36,500
Amounts falling due within one year	11	5,957	6,039
		52,108	42,539
Stocks	12	982	768
Total Current Assets		53,205	45,982
Current Liabilities			
Creditors - amounts falling due within one year	13	(6,434)	(9,460)
Net Current Assets		46,771	36,522
Total Assets Less Current Liabilities		66,013	57,191
Creditors - amounts falling due after more than one year	2,14	(25)	(526)
Provisions for liabilities and charges	15	(3,676)	(3,870)
Net Assets		62,312	52,795
Capital and Reserves			
Called up share capital	16	2	2
Profit and loss account	17	62,310	52,793
Shareholder's Funds - equity interests	18	62,312	52,795

Approved by the Board of Directors, and signed on its behalf on 26 September 2014 by:


Rudy Suparman
Director


Hendra Soetjipto Tan
Director

The notes on pages 13 to 35 are an integral part of these financial statements.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

1) Significant Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year is set out below.

(a) Basis of Preparation

The financial statements of Novus UK (Kakap) Limited were approved for issue by the Board of Directors on 26 September 2014.

The accounts are prepared under the historical cost convention and in accordance with the applicable UK accounting standards.

The Company has taken advantage of the exemption given in FRS 1(Revised) "Cash Flow Statements" not to prepare a cash flow statement as a consolidated cash flow statement, which includes the cash flows of the Company, has been published by the Ultimate Parent Undertaking.

In addition to the requirements of accounting standards, the accounts have been prepared in accordance with the Statement of Recommended Practice on "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" issued by the Oil Industry Accounting Committee and updated 7 June 2001 (SORP), except that the SORP recommends that oil and gas reserve quantities be disclosed and recommends that overlift or underlift balances when material should be reflected by adjusting cost of sales. The Directors have elected not to publish the reserves quantities for the Company for confidentiality reasons and over or underlift balances are adjusted in revenue in line with the group accounting policy.

(b) Joint Ventures

The Company conducts its exploration, development and production activities in association with other companies under joint operating agreements. The accounts reflect the Company's share of the costs and revenues resulting from such joint activities.

(c) Oil and Gas Expenditure

The successful efforts method of accounting is followed for costs incurred in oil and gas exploration and production operations.

Capitalization Policy - Acquisition costs are capitalized when incurred. Exploration costs, including geological and geophysical costs and costs of carrying and retaining unproved properties, are charged to the profit and loss account as incurred. Exploratory drilling costs are capitalized initially; however, if it is determined that an exploratory well does not contain proved reserves, such capitalized costs are charged to expense, as dry hole costs, at that time. Development costs are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface are generally expensed.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

1) Significant Accounting Policies (continued)

(c) Oil and Gas Expenditure (continued)

Depreciation, Depletion and Amortization - All capitalized costs are depleted on a unit-of-production method based on proved reserves.

Disposal of Fixed Assets - Gains and losses on disposals of fixed assets are taken to the profit and loss account in the year in which they arise.

Restoration Provision - Costs incurred by the joint venture for exploration, development and production are generally recoverable from production of reserves under the terms of the Indonesian Production Sharing Contract. At the termination of the contract, possession of the equipment and facilities reverts to the Indonesian government.

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligations and include the costs of removing facilities, abandoning wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the balance sheet date, based on current legal requirements and is recognised as part of "Petroleum Properties". Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the balance sheet date with a corresponding change in the cost of the associated asset.

The amount of the provision for future restoration costs relating to exploration, development and production facilities is capitalised and depleted as a component of the cost of those activities.

(d) Trade and other receivables

Trade and other receivables are initially recognised at fair value, which in practice is the equivalent of cost, less any impairment losses. Trade receivables are non-interest bearing and settlement terms are generally within 30 days.

Long-term receivables are discounted and are stated at amortised cost, less impairment losses.

Trade and other receivables are assessed for indicators of impairment at each balance sheet date. Where a receivable is impaired the amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the receivable is reduced through the use of an allowance account. Changes in the allowance account are recognised in the statement of comprehensive income.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

1) Significant Accounting Policies (continued)

(e) Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances and short-term deposits that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement. Bank overdrafts are included within creditors: amounts falling due within one year on the balance sheet.

Cash in bank balances which are restricted for use as stipulated under the terms of the loan agreement are presented as "Restricted cash in Bank".

(f) Stocks

Stocks are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs of materials and supplies, which include plant spares, consumables and maintenance and drilling tools used for ongoing operations, are valued at weighted average cost; crude oil produced and not sold is not recorded as stocks because title does not pass to the Company until the oil is lifted or off-loaded into the crude tankers.

Management assesses the need for any allowance for slow moving and obsolete stocks at each reporting date.

(g) Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortized cost using the effective interest method.

(h) Provisions

Provisions are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

1) Significant Accounting Policies (continued)

(h) Provisions (continued)

Decommissioning, site restoration and abandonment costs

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligations, and include the costs of decommissioning, removing facilities, abandoning wells and restoring the affected areas, and a reliable estimate of the amount of obligation can be made.

The amount of the provision for future decommissioning, site restoration and abandonment costs relating to exploration, development and production facilities is capitalized and depleted as a component of the cost of those activities. The unwinding of the effect of discounting on the provision is recognised as finance expense in the statement of comprehensive income.

Future decommissioning, site restoration and abandonment costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at the reporting date with a corresponding change in the cost of the associated asset.

Employee compensation

(i) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries, and annual leave that are expected to be settled within twelve months from the reporting date represent present obligations resulting from employees' service provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related add on-costs.

(ii) Long-term employee benefits

Employee entitlements to service and compensation payments are recognised when they accrue to the employees. A provision is made for the estimated liability as a result of past services rendered by employees up to the reporting date and is calculated based on the Company's policy or a minimum amount of employee entitlements in accordance with Indonesia Labor Law No. 13 Year 2003, whichever is higher.

The defined benefits obligation is annually calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

1) Significant Accounting Policies (continued)

(h) Provisions (continued)

Employee compensation (continued)

(ii) Long-term employee benefits (continued)

Actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in the statement of total recognised gains and losses (STRGL) in accordance with FRS 17 Retirement Benefits and are not reclassified to profit or loss in subsequent periods.

Unvested past service costs previously recognised over the average vesting period is recognised immediately in profit or loss when incurred.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises restructuring related costs.

Net interest is calculated by applying the discount rate to the net defined liability or asset. The Operator recognises the following changes in the net defined benefit obligation under "Pension Cost" in the statement of profit or loss (by function).

- Service cost comprising current service cost, past-service cost, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

The Operator also provides a defined contribution plan for all of its eligible permanent employees, which is managed by Dana Pensiun Lembaga Keuangan Tugu Mandiri. The pension plan was established based on the approval from the Ministry of Finance in its Decision Letter No. KEP.1100/KM.17/1998, No. KEP.231/KM.17/1994 and No. KEP.184/KM.17/1995. Contributions payable are charged to current year operations and the Company recognises its share of such items.

(iii) Other long-term employee benefits ("OLTEB")

The Operator provides long services award for employees who attain certain number of services years with the Operator. A provision is made for the estimated liability as a result of past services rendered by the employees up to the reporting date and is calculated based on the Operator's policy and the Company recognises its share of such items. Actuarial gains and losses for OLTEB are recognised in full in the period in which they occur in profit or loss.

(i) Revenue

Sales of crude oil, which are stated net of value added tax, are recorded on the entitlement method. Differences between the actual liftings of crude oil and gas result in a receivable when entitlements exceed liftings of crude oil and gas (under lifting position) and in a payable when liftings of crude oil and gas exceed entitlement (over lifting position). Under/ over lifting volumes are valued based on the annual weighted average sales price for crude oil (i.e. Indonesian Crude Price - "ICP") and gas (i.e. contract prices).

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

1) Significant Accounting Policies (continued)

(j) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(k) Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences arising on re-translation are taken to the profit and loss account.

(l) Leasing and Hire Purchase Commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit or loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

2) Related Party Transactions

As at 31 December, the Company has the following receivables from and payables to parent and fellow subsidiary undertakings.

	Relationship with the Related Parties	2013 US\$000	2012 US\$000
Receivable (note 11)			
Kakap Holdings Pte Ltd.	Indirect parent undertaking	34,366	34,322
Novus UK (Indonesian Holdings) Limited	Immediate parent undertaking	11,171	2,007
Others		614	171
		46,151	36,500

Payable (note 14)

Star Energy (Kakap) Ltd.	The same ultimate shareholder	-	509
Others		25	17
Total		25	526

The Company uses the Kakap Holdings Pte. Ltd bank account for cash transactions in Kakap block. Receivables from related parties are unsecured, non-interest bearing and are due to be settled in cash within the next twelve months from the reporting date.

The Company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions entered into with group companies (100% owned). There were no other related party transactions in the year.

3) Turnover

	2013 US\$000	2012 US\$000
Product sales:		
Crude oil	9,293	10,091
Gas and ethane	20,276	19,232
Total turnover	29,569	29,323

Crude oil sales are generally sold under short-term contract to BP Singapore Pte. Ltd and generally do not require collateral from the counter party. Natural gas is sold under Supply Gas Agreement between KAKAP PSC and other gas producers to SembCorp Gas Pte. Ltd.

Under the terms of the Kakap PSC, the Company is required to supply the pro rata share of current Indonesian domestic crude oil requirements (Domestic Market Obligation - "DMO") up to a maximum of 6.7% of the total crude production out of their equity oil production. The Company receives the prevailing market price per DMO barrel for the first five years of production from each new field under the terms of the Kakap PSC. Thereafter, the Company will receive 15% of the weighted average price per barrel of all crude oil produced.

During the financial year, the Company operated only in Indonesia and in one industry which consisted of exploration, development and production of crude oil, natural gas and associated liquids and its entire turnover is derived from such operations.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

4) Cost of Sales

	2013 US\$000	2012 US\$000
Operating costs	10,521	10,876
Pension cost	498	621
Depreciation, depletion and amortization	2,565	2,952
Total Cost of Sales	13,584	14,449

Operating lease payments for FSO rental services charged to operations amounted to US\$1,123,765 and US\$1,126,570 for the years ended 31 December 2013 and 2012, respectively.

5) Finance costs

Finance costs comprise US\$170,000 in 2013 (2012: US\$193,000) in respect of unwinding of the discount on the decommissioning provision.

6) Auditor's Remuneration

The Company incurred US\$27,642 as fees to its auditor in respect to the 2013 (2012: US\$33,642) audit of the Company financial statements.

The Company did not incur any other costs in relation to services from the auditors.

7) Employee Information

Other than Directors, the Company has no employees during 2013 and 2012.

8) Directors' Remuneration

The Company entered into an agreement with Aspect Financial Limited ("Aspect") (previously ATC Corporate Services (UK) Limited) under a contract for the provision of director services for two (2) directors. The fees paid to Aspect for director services during 2013 amounted to US\$4,194 (2012: US\$2,832).

Two (2) of the directors of the Company received remuneration from Star Energy (Kakap) Ltd., the operator of Kakap PSC. The Company's portion of remuneration based on the working interest in Kakap PSC amounts to US\$146,205 in 2013 (2012: US\$144,990). As at the date of the financial statements, the two directors agreed to provide director services to the Company without receiving any remuneration from the Company.

9) Tax on Profit on Ordinary Activities

The tax charge is made up as follows:

	2013 US\$000	2012 US\$000
Current tax:		
UK Corporation tax on profits for the year	4,843	4,720
Double tax relief	(4,633)	(4,555)
Foreign tax under provision	-	1,291
Overseas taxation	5,685	6,466
Total current tax charge	5,895	7,922
Deferred tax:		
Origination and reversal of timing differences	846	(292)
Total deferred tax charge/(credit) (note 15)	846	(292)
Total tax charge	6,741	7,630

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

9) Tax on Profit on Ordinary Activities (continued)

Factors affecting the current tax charge for the year

The rate at which tax has been assessed for the year is higher than the standard rate of Corporation tax in UK. The differences are explained below:

	2013 US\$000	2012 US\$000
Current tax:		
Profit on ordinary activities before tax	16,408	14,781
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% for the period up to 31 March 2013 and 23% for the period to 31 December 2013 (26% for the period up to 31 March 2012 and 24% for the period to 31 December 2012)	3,815	3,621
Effect of:		
Depreciation in excess of capital allowances	603	721
Imputed interest income	210	165
Impact of higher foreign taxes	1,054	1,910
Foreign tax under provision (note 20)	-	1,291
Other timing and permanent differences	213	214
Total current tax charge for the year	5,895	7,922

10) Fixed Assets - Tangible Assets

	Petroleum Properties US\$000	Property and Equipment US\$000	Total US\$000
Cost			
At 1 January 2013	97,729	43,168	140,897
Additions	1,126	12	1,138
At 31 December 2013	98,855	43,180	142,035
Depreciation			
At 1 January 2013	81,481	38,772	120,253
Charge for the year	2,500	57	2,557
At 31 December 2013	83,981	38,829	122,810
Net Book Value			
At 31 December 2013	14,874	4,351	19,225
At 31 December 2012	16,248	4,396	20,644

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

11) Debtors

	2013 US\$000	2012 US\$000
Related parties (note 2)	46,151	36,500
Trade debtors	3,921	3,166
Other debtors	2,036	2,873
Total	52,108	42,539

Amounts due from related parties of US\$46,151,000 (2012: US\$36,500,000) are due after more than one year.

12) Stocks

	2013 US\$000	2012 US\$000
Warehouse stocks and drilling materials	982	768
Total	982	768

The difference between the carrying value of stocks and their replacement cost is not material.

13) Creditors - Amounts Falling Due Within One Year

	2013 US\$000	2012 US\$000
Trade creditors	5,041	7,788
Non-trade creditors	282	292
Corporation tax creditor	1,111	1,380
Total	6,434	9,460

14) Creditors - Amounts Falling Due After One Year

	2013 US\$000	2012 US\$000
Creditors - related parties (note 2)	25	526
Others	-	-
Total	25	526

15) Provision for Liabilities and Charges

	2013 US\$000	2012 US\$000
Provision for employee benefits	1,127	2,057
Provision for decommissioning	1,057	1,120
Deferred tax liabilities	1,492	693
At 31 December	3,676	3,870

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

15) Provision for Liabilities and Charges (continued)

Reconciliation of movements in provisions during the year is as follows:

	Employee Benefits US\$000	Decommissioning US\$000	Deferred Tax US\$000	Total US\$000
At 1 January	2,057	1,120	693	3,870
Charge for the year	45	-	846	891
Charge to other comprehensive income	-	-	(47)	(47)
Unwinding of discount on decommissioning	-	170	-	170
Expected return on plan assets	(975)	-	-	(975)
Escrow account	-	(233)	-	(233)
At 31 December	1,127	1,057	1,492	3,676

Provision for employee benefits

Net employee defined benefit liability represents:

	2013 US\$000	2012 US\$000
Pre-retirement benefit	44	66
Other long-term benefit	24	42
Post-employment benefit	1,059	1,949
	1,127	2,057

The Operator has a defined benefit pension plan covering substantially all employees. Plan benefits are primarily based on years of service and employees' compensation near retirement or voluntary resignation.

The Operator has a defined benefit pension plan in post-employment benefit (funded). The program designed as a form of appreciation or post-employment fund benefit program, which program has been approved by Ministry of Finance of the Republic Indonesia and registered under the name Program Asuransi Jiwa Kumpulan Jangka Waktu Sementara. The Operator appointed PT Asuransi Allianz Life Indonesia to underwrite and administer a management program of post-employment fund benefit for the employees of the Operator through the program.

The Operator also provides pre-retirement benefit (unfunded) and other long-term benefit (unfunded) to employees.

The employees' benefits liability was calculated by an independent actuary, PT Padma Radya Aktuaria, for the years ended 31 December 2013 and 2012, in its reports dated 21 April 2014 and 18 April 2013, respectively, using the "Projected Unit Credit" method with the following assumptions:

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

15) Provision for Liabilities and Charges (continued)

Provision for employee benefits (continued)

	<u>2013</u>	<u>2012</u>
Salary increment rate	10% p.a.	10% p.a.
Discount rate	8.75% p.a.	5.5% p.a.
Mortality rate	100% TMI** 3	100% TMI** 3
Disability rate	5% TMI 3	5% TMI 3
Resignation rate	2.5% p.a. until age 33 then decrease linearly into 0% at age 58*	2.5% p.a. until age 33 then decrease linearly into 0% at age 58*
Proportion of normal retirement	100%	100%

* Starting 2010, the Operator, Star Energy (Kakap) Limited, used retiring age of 58 in compliance with SKKMIGAS letter No. KEP-058/BP00000/ 2010/SO issued in 2010.

** Tabel Mortalita Indonesia

The following tables summarize the components of net benefit expense recognised in the statements of comprehensive income and the funded status and amounts recognised in the statements of financial position for the respective benefits:

Pre-retirement benefits

Net benefit expense (recognised in profit or loss):

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Current service cost	8	19
Interest cost	5	5
Net benefit expense	13	24

Changes in the present value of the defined benefit obligation are as follows:

	<u>2013</u> <u>US\$000</u>	<u>2012</u> <u>US\$000</u>
Defined benefit obligation at 1 January	66	42
Current service cost	8	19
Interest cost	5	5
Actuarial changes arising from experience adjustment	(47)	-
Actuarial changes arising from changes in financial assumptions	35	2
Foreign exchange	(23)	(2)
Defined benefit obligation at 31 December	44	66

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

15) Provision for Liabilities and Charges (continued)

Provision for employee benefits (continued)

Other long-term benefits

Net benefit expense (recognised in profit or loss):

	2013 US\$000	2012 US\$000
Current service cost	3	7
Actuarial changes arising from experience adjustment	1	3
Actuarial changes arising from changes in financial assumptions	(3)	-
Interest cost	(2)	-
Net benefit expense	(1)	10

Changes in the present value of the defined benefit obligation are as follows:

	2013 US\$000	2012 US\$000
Defined benefit obligation at 1 January	42	34
Current service cost	3	7
Interest cost	1	3
Actuarial changes arising from experience adjustment	(3)	-
Actuarial changes arising from changes in financial assumptions	(2)	-
Foreign exchange	(17)	(2)
Defined benefit obligation at 31 December	24	42

Post-employment benefits

Net benefit expense (recognised in profit or loss):

	2013 US\$000	2012 US\$000
Current service cost	390	457
Interest cost	96	130
Net benefit expense	486	587

2013 changes in the defined benefit obligation and fair value of plan assets:

	Defined benefit obligation	Fair value of plan assets	Benefit liability
Defined benefit obligation at 1 January	1,949	-	1,949
Current service cost	390	-	390
Interest cost	119	(23)	96
Foreign currency exchange rate (gain)/loss	(552)	158	(394)
Benefits paid	(152)	-	(152)
Return on plan assets (excluding amounts included in net interest expenses)	-	4	4
Actuarial changes arising from experience adjustment	62	-	62
Actuarial changes arising from changes in financial assumptions	79	-	79
Contribution by employer	-	(975)	(975)
Defined benefit obligation at 31 December	1,895	(836)	1,059

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

15) Provision for Liabilities and Charges (continued)

Provision for employee benefits (continued)

Post-employment benefits (continued)

2012 changes in the defined benefit obligation and fair value of plan assets:

	Defined benefit obligation	Fair value of plan assets	Benefit liability
Defined benefit obligation at 1 January	1,436	-	1,436
Current service cost	457	-	457
Interest cost	130	-	130
Foreign currency exchange rate (gain)/loss	(88)	-	(88)
Benefits paid	(34)	-	(34)
Return on plan assets (excluding amounts included in net interest expenses)	-	-	-
Actuarial changes arising from experience adjustment	-	-	-
Actuarial changes arising from changes in financial assumptions	48	-	48
Contribution by employer	-	-	-
Defined benefit obligation at 31 December	1,949	-	1,949

The sensitivity analysis below has been determined based on the reasonably possible changes of each significant assumption on the defined pension plan as at the end of the reporting period, assuming if all other assumptions were held constant. A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is as shown below:

Pre-retirement benefits

		Impact on the net defined benefit obligation (USD\$000)
Discount rates	+1%	(3)
	-1%	4
Future salary increases	+1%	4
	-1%	(3)

Other long-term benefits

		Impact on the net defined benefit obligation (USD\$000)
Discount rates	+1%	(1)
	-1%	1
Future salary increases	+1%	1
	-1%	(1)

NOVUS UK (KAKAP) LIMITED

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For the Year Ended 31 December 2013

15) Provision for Liabilities and Charges (continued)

Provision for employee benefits (continued)

Post-employment benefits

		Impact on the net defined benefit obligation (USD\$000)
Discount rates	+1%	(149)
	-1%	167
Future salary increases	+1%	164
	-1%	(149)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period (deterministic method).

The following payments are expected contributions to be made in the next five years and the aggregate for five years thereafter out of the defined benefit plan obligation are as follows:

Pre-retirement benefits

	Amount (USD\$000)
Within the next 12 months (next annual reporting period)	-
Between 2 and 5 years	6
Beyond 5 years	91
Total expected payments	97

The average duration of the defined benefit pension plan at the end of the reporting period is 10.11 years

Other long-term benefits

	Amount (USD\$000)
Within the next 12 months (next annual reporting period)	9
Between 2 and 5 years	8
Beyond 5 years	51
Total expected payments	68

The average duration of the defined benefit pension plan at the end of the reporting period is 10.11 years.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

15) Provision for Liabilities and Charges (continued)

Provision for employee benefits (continued)

Post-employment benefits

	Amount (USD\$000)
Within the next 12 months (next annual reporting period)	73
Between 2 and 5 years	652
Beyond 5 years	2,171
	<hr/> 2,896 <hr/>

The average duration of the defined benefit pension plan at the end of the reporting period is 10.13 years

The defined contribution plan is contributed by both employees and the Company for a fixed contribution of 6% from the Company and a contribution of 2%-14% from the employees. During the years of 2013 and 2012, the Company has contributed the funds amounted to US\$64,413 and US\$59,836, respectively, and charged to current year operations and presented as "employee compensation and benefits" under operating expenses.

The plan assets are quoted in active market (money market investments) and the Company portion amounted to US\$836,185.

Provision for decommissioning

Provision for decommissioning, site restoration and abandonment costs represents present value of restoration costs of oil and gas property and equipment arising from the acquisition or use of assets, which are expected to be incurred up to 2020. These provisions have been computed based on internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability.

In accordance with Standard Operating Procedure No. 040/PTK/XI/2010 dated 24 November 2010 concerning Abandonment and Site Restoration ("ARO"), the Operator is required to have an escrow account with SKK Migas to funding the ARO relating to oil and gas operations in Indonesia.

The discount rates of 4.78% and 5.50% were used in the calculation of the provisions as at 31 December 2013 and 2012, respectively.

As of 31 December 2013 and 2012, the escrow accounts for Kakap PSC are placed in PT Bank Mandiri (Persero) Tbk.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

15) Provision for Liabilities and Charges (continued).

Deferred tax liabilities

The deferred tax included in balance sheet comprises:

	2013 US\$000	2012 US\$000
Accelerated capital allowances	3,405	2,140
Other	(1,913)	(1,447)
At 31 December	1,492	693

Deferred tax assets of US\$14,537,000 as of 31 December 2013 (2012: US\$13,835,000) are not recognised due to the uncertainty concerning the recognition of future profits.

In UK tax computation, the tax charge can be offset by tax suffered in Indonesia. As the tax suffered in Indonesia has historically been greater than the UK tax, an excess has been built up over time and carried forward in the UK tax computation to be used if the UK tax charge was greater than the Indonesian tax charge in future years. The unrecognised deferred tax assets relates to this excess Indonesian tax. It is unrecognised as it is a reasonable assumption that the Indonesian tax charge will continue to be greater than the UK tax charge in future years.

16) Share Capital

	2013 US\$000	2012 US\$000
Authorized, allotted, called up and fully paid 1,000 ordinary shares of £1 translated at 31 December 1982 rate of exchange rate of US\$1.62/£1	2	2

17) Reconciliation of Capital and Reserves

	Share Capital US\$000	Profit and Loss account US\$000	Total US\$000
At 1 January 2012	2	67,057	67,059
Profit for the year	-	7,151	7,151
Dividend declared and distributed	-	(21,415)	(21,415)
At 31 December 2012	2	52,793	52,795
Profit for the year	-	9,667	9,667
Actuarial gain and loss, net of income tax effect	-	(150)	(150)
At 31 December 2013	2	62,310	62,312

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For the Year Ended 31 December 2013

17) Reconciliation of Capital and Reserves (continued)

In 2012 the company paid interim ordinary non cash dividends of \$21,415,000. The Company agreed to waive an intercompany balance amounting to \$21,415,000 which has been treated as a noncash dividend between the Company and its shareholder. The management has proposed US\$ 12,000,000 non-cash dividend subject to approval of board of directors. The next board of directors meeting will be held in October 2014 to approve the amount of non-cash dividend.

18) Reconciliation of Movement in the Profit and Loss Account

	2013	2012
	US\$000	US\$000
At 1 January	52,795	67,059
Profit for the year	9,517	7,151
Dividend declared and distributed	-	(21,415)
At 31 December	62,312	52,795

19) Obligations under Operating Lease Agreements and Capital Commitments

As of 31 December 2011, the Operator of the Kakap PSC has a lease contract for EF FSO. The lease contract expired on 30 April 2012 and was extended up to 31 July 2012.

Starting August 2012, the Operator of Kakap PSC utilized KNFSO for FSO rental services as approved by SKK Migas (Note 20).

The amounts of capital expenditure commitments and lease commitments in respect of the Company's unincorporated joint venture are:

	2013	2012
	US\$000	US\$000
Capital expenditure commitments	-	7,685
Lease commitments	7,385	8,508
	7,385	16,193

Annual commitments under non-cancellable operating leases are as follows:

	2013	2012
	US\$000	US\$000
Operating leases relating to FSO contracts which expire:		
After one year but not more than five years	1,250	1,250
	1,250	1,250

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Notes to the Financial Statements

For the Year Ended 31 December 2013

20) Commitments and Contingencies

Government Audit Claim

The accounting policies specified in the PSC are subject to interpretation by SKK Migas and the Government of the Republic of Indonesia. Annually, the accounting records and reports of the Joint Venture are subjected to an audit by SKK Migas and/or the Government. Claims arising from these audits are either agreed by the management of the Company and recorded in its accounting records, or are disputed. Resolution of disputed claims may require a lengthy negotiation process extending over a number of years. As of the completion date of these financial statements, the joint venture has various disputed claims outstanding amounting to US\$98,654 for the periods up to 2012. The claims consist of AFE overrun matters, which are still under discussion between the Operator and the Government auditors.

If these claims materialize, the Company's entitlement will be reduced by approximately US\$14,180 and will lead to exposure for underpayment of tax amounting to US\$5,517. Management believes that the claims are without merit, therefore no accrual has been recognised in relation to the claims in the financial statements.

Significant disputes

The following disputes are current contingencies faced by the operator of Kakap PSC and may result in any future liabilities on a net basis to the Company:

- (i) The Operator is facing a legal dispute with Tripatra-Sarku Consortium ("Vendor") regarding the flexible flow line incident of KRA South Gas Development Subsea Tie-In project that occurred in 2007. The value of the claim against the Operator amounted to US\$1,500,000. On the other hand, the Operator counterclaimed against the Vendor for the excess cost of US\$1,000,000 to complete the project.
- (ii) The Operator also has a legal dispute with Seabulk Offshore Vessel Holding Inc. ("SOVH"), owner of the vessel MU Seabulk Plover. On 14 August 2008, the Operator received a letter from SOVH claiming damages sustained by the Frontier Duchess oil rig as a result of a collision that occurred on 25 June 2007. The claim amounted to Singaporean dollar \$13,218,265, which is equivalent to US\$10,441,000 as at 31 December 2013 (2012: US\$10,835,000).

As of the completion date of these financial statements, there is no further progress on the above cases no. (i) and (ii), and any final settlement on such cases is uncertain. Management believes that the disputes will be resolved with no material impact on the Company's financial statements, accordingly no provision has been recognised at the reporting date.

Gas Supply Agreement

The Operator, Pertamina, and other gas producers entered into a Gas Supply Agreement under which each supplier agreed to make gas available for sale and delivery by Pertamina under a Gas Sales Agreement between Pertamina and Buyer. The future contract quantity for the Company is 63.18 Btu with the following annual amount to be delivered:

<u>Year</u>	<u>Btu</u>
2014	5.74
2015-2023	57.44

The contract price is based on Index High Sulphur Fuel Oil ("HSFO").

NOVUS UK (KAKAP) LIMITED

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For the Year Ended 31 December 2013

20) Commitments and Contingencies (continued)

Contract for Provision of FSO Rental Services

As follow up of the deteriorations found in the hull envelope of the previous KN Floating Production Storage and Offloading ("KN FPSO") vessel, various efforts were initiated and carried out by the Contractors in order to remedy the situation, including implementing a medium-term solution by replacing the KN FPSO with a new FPSO namely East Fortune FSO ("EF FSO") under the contract signed in October 2009 with PT Pulau Kencana Raya ("PKR") as an agent on behalf of Songa Production Pte. Ltd. The contract with PKR was valid for a term of nine months up to September 2010 with a total contract value of US\$14,115,000.

On 5 October 2010, Operator of Kakap PSC extended the lease contract of the EF FSO up to 31 December 2010. On 1 December 2010, the lease contract was extended up to 31 January 2011. On 12 January 2011, the lease contract of EF FSO rental service was further extended for a twelve months period starting 1 February 2011. However, since 9 March 2011, the EF FSO has been demobilized from Kakap field and was temporarily replaced by a new vessel MT. Barunawati. Originally, the vessel that was to replace EF FSO was MT. Badraini which was under modification until July 2011. In July 2011, the Operator used MT. Badraini for its first oil lifting for 2011 since the vessel was then ready for use.

Based on its letter dated 9 June 2010, No. 0622/BPA4000/2010/S1, SKKMIGAS has requested the Contractors to re-utilize KN FPSO for the next five to ten years, and the related Authorization For Expenditures (AFE) for the reutilization of the KN FPSO which covers the dry docking project and the operation cost for KN FPSO for the seven years has been approved by SKKMIGAS in its letter dated 4 April 2011 amounting to US\$66,937,000.

The dry docking of KN FPSO was completed on 31 July 2012, after which Kakap Natuna changed name to become Kakap Natuna Floating Storage and Offloading ("KNFSO") vessel and on 22 August 2012 began its normal operations in Kakap Natuna block.

Provision for Branch Profit Tax ("BPT")

Provision for Branch Profit Tax ("BPT") is the additional tax imposed in lieu of dividends withholding tax on the excess of taxable income over ordinary corporate income tax.

Based on the audit result of the Indonesia Development Finance Controller (Badan Pengawasan Keuangan dan Pembangunan or referred to as "BPKP") for the audit period 1994 to 2004, Novus UK (Kakap) Limited, was required to pay 20% Branch Profit Tax ("BPT") equivalent to US\$3,577,000.

In 1974, the Government of Indonesia ("GOI") signed a tax treaty with the United Kingdom Government ("UK Government") which exempted BPT for UK permanent establishment/resident companies ("UK Companies"). In 1993, the GOI renewed the UK-Indonesia tax treaty ("New Treaty"). Under the New Treaty, a 10% BPT is applied for UK Companies. BPT is the additional tax imposed in lieu of dividends withholding tax on the excess of taxable income over ordinary corporate income tax.

The management is of the opinion that Novus UK (Kakap) Limited ("the Company") (company established in the United Kingdom) is subject to BPT at the rate of 10% based on the 1993 tax treaty between the Government of the Republic of Indonesia and United Kingdom.

NOVUS UK (KAKAP) LIMITED

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For the Year Ended 31 December 2013

20) Commitments and Contingencies (continued)

Provision for Branch Profit Tax ("BPT") (continued)

In November 2011, the Company received tax assessment letters from the Tax Office related to the underpayment of the BPT for fiscal year 2008 resulting from the difference between the tax rate and treaty rate, including the tax penalty, amounting to US\$3,129,000. Subsequently on 7 February 2012, Novus UK made payment to the Tax Office.

In February 2012, the Company filed objection letters to the Tax Office regarding the basis for the issuance of tax assessment letters since the Company believes that the rate applied by the Company is supported by the Indonesian - UK Treaty, which reduced the tax rate to 10%. In addition, the Company received confirmations from UK HM Revenue and Custom (UK HMRC) that they are entitled to apply the 10% treaty rate since the Company is a UK tax resident. In February 2013, the Tax Office declined the objection letter and in May 2013, the Company submitted an appeal letter to the Tax Court. On 26 March 2014, the Company gave the closing statement in the Tax Court, and at the completion date of the financial statements, no decision letter has been received from the Tax Court.

Management continues to believe that the Company should be exempted from BPT prior to 2004, whilst the 10% BPT should be applied starting from year 2005 (the year when the extension of Kakap PSC became effective). Accordingly, there is no additional accrual made in the Company from periods 1996 to 2004 for the 20% rate of BPT (approximately US\$3,287,000) and from years 2005 to 2007 and 2009 to 2013 for the additional 10% rate on the BPT (approximately US\$9,334,000).

Senior Term Loan Facility Agreement

On 7 December 2012, the ultimate shareholder of the Company, Star Energy Investment Ltd. ("SEIL") entered into a US\$121,000,000 Acquisition Bridge Facilities Agreement ("Bridge Loan Facility") with DBS Bank Ltd. ("DBS") ("Lender") for the purposes of financing the acquisition of 100% shares in Star Energy Holdings Limited, which own 40% shares in Star Energy Group Holdings Pte. Ltd.

On 1 February 2013, part of the Bridge Loan Facility amounting to US\$58,000,000 ("Bridge Loan Facility A") was pushed down and novated to Star Energy (Kakap) Limited ("SEKL") and Star Energy (Kakap) Holdings Limited ("SEKHL").

On 1 February 2013, SEKL and SEKHL (or together referred to as "the Borrowers") entered into a US\$60,000,000 Senior-Term Loan Facility Agreement ("New Loan") with DBS Bank Ltd. ("DBS") ("Lender"). The initial utilization was made on 8 February 2013 amounting to US\$60,000,000.

The purpose of the loan is to repay Bridge Loan facility A and any fees, stamp and expenses in connection with the Facility or Finance documents. The New Loan will be repaid on quarterly basis with the initial repayment date in May 2013 and the latest repayment date in February 2018. Interest is charged at 4.5% plus LIBOR.

NOVUS UK (KAKAP) LIMITED

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For the Year Ended 31 December 2013

20) Commitments and Contingencies (continued)

Senior Term Loan Facility Agreement (continued)

The New Loan is guaranteed by the following related parties:

- Novus UK (Indonesian Holdings) Limited (Original Guarantor)
- Novus Petroleum Canada (Indonesian Holdings) Limited (Original Guarantor)
- Star Energy Kakap Holdings Limited (Original Guarantor)
- Star Energy (Kakap) Ltd. (Original Guarantor)
- Natuna UK (Kakap 2) Limited (Original Guarantor)
- Novus UK (Kakap) Limited (Original Guarantor)
- Novus Petroleum Canada (Kakap) Ltd. (Original Guarantor)
- Novus Nominees Pty. Ltd. (Original Guarantor)
- Kakap Holdings Pte. Ltd. (Original Guarantor)

The loan will be repaid on a quarterly basis with the initial repayment date in May 2013 and the latest repayment date in February 2018. Subsequently, on 12 February 2014, the Borrowers made a voluntary repayment of US\$10,000,000. After the voluntary repayment, the last repayment date of the New Loan will be in August 2017.

Contractual commitment

The Company conducts all of its operation through membership of joint venture consortia. In the event of non-performance of obligations by another member, or members of such consortia, the Company would become subject to additional obligations. The Company does not anticipate non-performance by its joint venture partners.

21) Comparative figures

Certain prior year figures have been reclassified to conform to the 2013 presentation. This had no impact on the profit and loss for the year or net assets.

22) Immediate and Ultimate Parent Undertakings

The immediate and ultimate holding companies are Novus UK (Indonesian Holdings) Limited, a company incorporated in United Kingdom and Star Energy Oil and Gas Pte Ltd., a company incorporated in Singapore.

Star Energy Oil and Gas Pte Ltd is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and to which the company is a member.

In April 2012, Star Energy Group completed a group restructuring. As part of the Group restructuring, Star Energy Geothermal Pte Ltd ("SEGPL") (formerly known as Star Energy Holdings Pte Ltd) transferred its ownership interest in the oil and gas companies in the Star Energy group to Star Energy Oil and Gas Pte Ltd., ("SEOGPL") and SEOGPL became the new holding company for entities in the oil and gas industry.

NOVUS UK (KAKAP) LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2013

23) Event After The Reporting Period

With respect to Provision for Branch Profit Tax disclosed in note 20, The Company received two assessment letters in August 2014 from the Tax Office related to the underpayment of Corporate Tax and BPT (including its penalty) for fiscal year 2009 amounting to US\$ 24,306 and US\$1,205,726, respectively. The Company made the payment on 20 August 2014 and management is planning to send an objection letter to the tax office in October 2014.